PACIFIC ENERGY LIMITED

ASX : PEA

HY17 RESULTS PRESENTATION

FEBRUARY 2017

Important Notice and Disclaimer

This presentation has been prepared by Pacific Energy Limited **(PEA)** for information purposes only.

This presentation is not a product disclosure statement or prospectus for the purposes of the Australian *Corporations Act 2001* (Cth), nor does it constitute financial product or investment advice or a recommendation, offer or invitation by any person or to any person to sell, purchase or otherwise invest in securities in PEA in any jurisdiction. Neither this presentation nor anything in it shall form the basis of any contract or commitment.

This presentation contains general information only and does not take into account the investment objectives, financial situation and particular needs of individual investors. Investors should make their own independent assessment of the information in this presentation and obtain their own independent advice from a qualified financial adviser, lawyer, accountant, tax or such other adviser as considered appropriate having regard to their objectives, financial situation and needs before taking any action.

The information in this presentation includes historic information about the performance of PEA and securities in PEA. That information is historic only, and is not an indication or representation about the future performance of PEA or securities in PEA. You should not place undue reliance on any such information.

No representation or warranty, express or implied, is given as to the accuracy, completeness, reliability or adequacy of any statements, estimates, opinions or other information, or the reasonableness of any assumption or other statement, contained in this presentation. Nor is any representation or warranty, express or implied, given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, forward-looking statements or potential returns contained in this presentation. Forward-looking statements include, but are not limited to, information which reflects management's expectations regarding PEA's future growth, results of operations (including, without limitation, capital expenditures), performance (both operational and financial) and business prospects and opportunities. Often, forward-looking statements include words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forecasts, forward-looking statements or potential returns only reflect subjective views held by PEA, and are based on certain assumptions made by PEA, as at the date specified in the relevant information and are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of PEA. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that forward-looking statements will prove to be accurate. Actual events and results may vary from the events or results expressed or implied in such statements. Given these uncertainties, you should not place undue reliance on any such statements

Subject to any continuing obligations under applicable law or any stock exchange listing rules, in providing the information in this presentation, PEA des not undertake any obligation to publicly update or revise any forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

To the maximum extent permitted by law, PEA and its related bodies corporate, directors, officers, employees, advisers and agents disclaim all liability and responsibility (including without limitation any liability arising in negligence, statute or otherwise) for any direct or indirect loss or damage which may arise or be suffered by any person through use or reliance on anything contained in, or omitted from, this presentation. An investment in PEA securities is subject to investment and other known and unknown risks, some of which are beyond the control of PEA. PEA does not guarantee any particular rate of return or the performance of PEA securities.

The distribution of this presentation including in jurisdictions outside Australia, may be restricted by law. Any person who receives this presentation must seek advice on and observe any such restrictions.

HY17 Highlights

Financial

- EBITDA up 23% to $21.3m (underlying EBITDA up 18% to $20.5m)
- NPAT up 23% to $9.0m
- 23% increase in EPS
- Interim dividend maintained at 1.0 cps fully franked
- Gearing (net debt:NTA) down from 32% to 27%
- Balance sheet in good health and able to support further growth
- Operating cash flow up 31% to $16.9m
- Confident of meeting full year EBITDA guidance of $40m - $41m

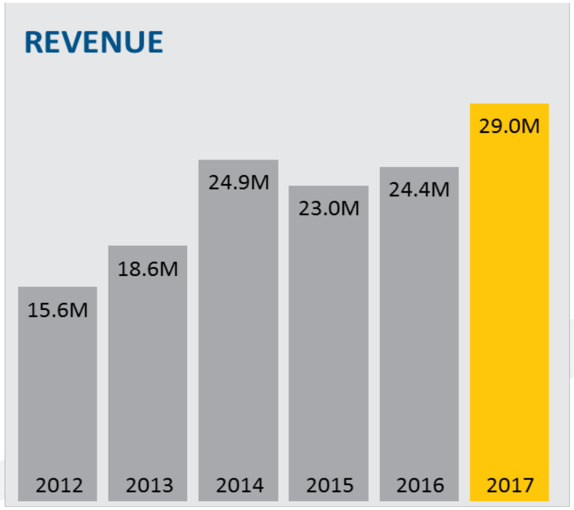
PEA is a sector stand out with annuity style income and excellent earnings visibility under long term contracts.

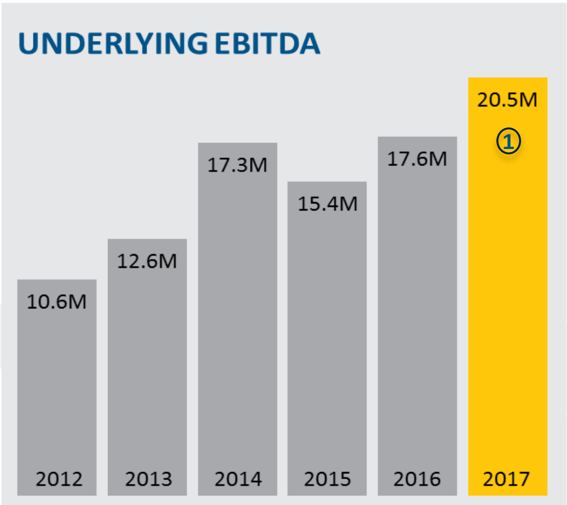
Operating

- Record level of contracted capacity – 258MW following new brownfields (expansions) and greenfields contracts
- African expansion strategy progressing well - advanced stages of tender process on two projects; submitting proposals on several others
- Robust tendering activity covering traditional Western/Central Australian market as well as Queensland and Africa – expect to hear results for 125+MW of tenders/proposals in coming months
- Excellent reliability, availability and fuel efficiency achieved in the field

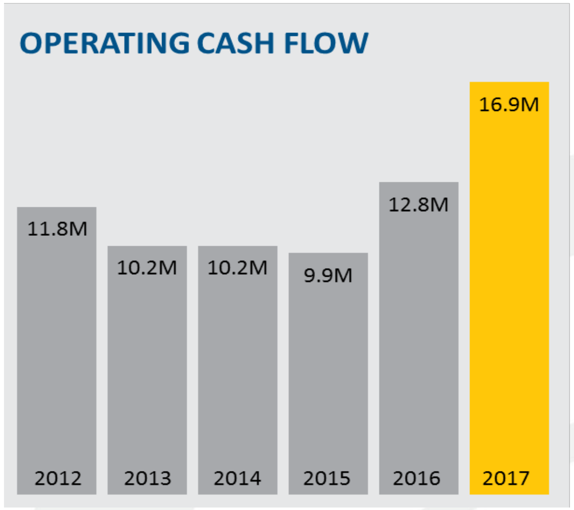
Consistency

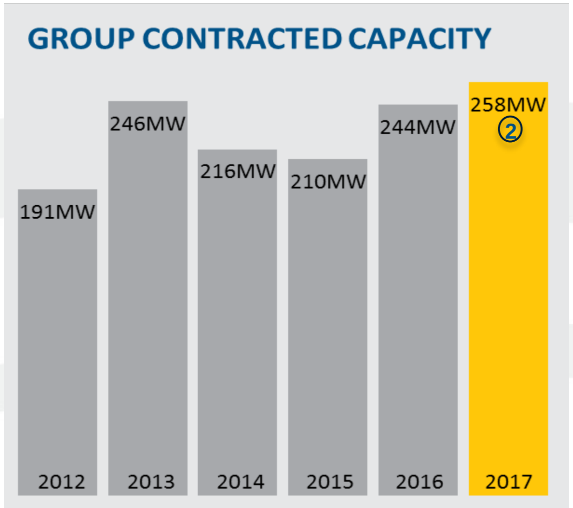
- **Against the headwinds of the mining downturn in recent years, PEA has been stable and dependable**





1 Underlying EBITDA equates to EBITDA before recognising profit on sale of other assets and investments.





2 Current

Supported by Strong Balance Sheet

	Dec 16 $m's	Jun 16 $m's
Cash	8.6	5.8
Receivables	6.6	6.6
PP&E	155.6	154.9
Intangibles	24.7	25.2
Other	1.0	1.9
TOTAL ASSETS	**196.5**	**194.5**
Current liabilities (ex debt)	6.3	6.2
Current debt	5.8	5.8
Non current debt	33.3	36.2
Deferred tax	9.5	8.4
Other	1.1	1.1
TOTAL LIABILITIES	**56.0**	**57.7**
NET ASSETS	**140.5**	**136.8**
NET TANGIBLE ASSETS	**125.3**	**120.0**

- **KEY RATIOS**

	Dec 16	June 16
Current Ratio	1.3	1.2
Net Debt:Net Assets	21.8%	26.5%
Net Debt:NTA	26.6%	32.0%

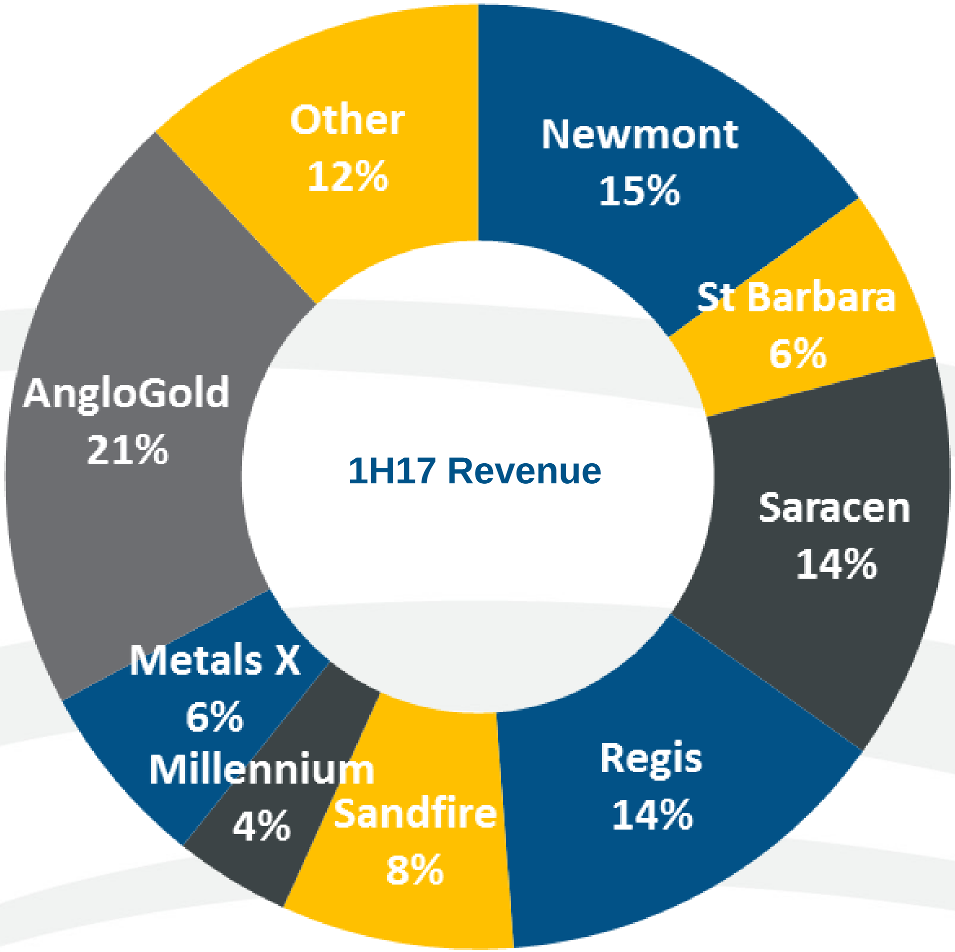
- Net Debt $30.6m
- Total Debt Facilities $63m
- Significantly lower capex compared to HY16 ($8m Vs $27m)
- In the absence of any major unbudgeted capex in FY17, gearing at 30 June 2017 expected to reduce to 22% as strong operating cash flows continue

Stable Client Base and Earnings Visibility

- Long term contracts in place - weighted average remaining contract duration approaching 4 years provides strong earnings visibility

- Approximately 80% of revenue from clients with All In Sustaining Cost Margin exceeding 30%

- Commodity exposure – mostly gold, copper, precious metals and mineral sands



Recent Contracts

- **The following new power station contracts/expansions have been secured since 1 July 2016:**
  - **Westgold - new 5MW diesel fuelled power station. Five year contract about to commence at Fortnum**
  - **Newmont - 8MW expansion underway at Tanami operations**
  - **OM Manganese - restart of 5MW power station at Bootu Creek**
  - **Saracen - 1.5MW expansion at Thunderbox power station**
- **Contract extensions have been secured with:**
  - **St Barbara – eight years**
  - **Newmont – one year**
  - **Others pending**

Outlook

- Confident of achieving FY17 EBITDA guidance of $40m - $41m
- Record level of contracted power (258MW), almost all of which is fully installed and operating
- In addition to traditional western / central Australian market, now quoting work in Queensland and Africa
- Pipeline of new work tendered / priced now over 125MW – potential for material contract awards in coming months, subject to projects securing funding.
- Several existing customers also seeking more power generation capacity, so likely increases in requirements will result
- Strategic expansion into African markets well underway – bid / bidding various projects and confident of imminent contract success, subject to projects finalising funding
- Confident about finishing FY17 with guidance being met and having new long term contracts in hand to underwrite future growth
- Actively seeking opportunities for investment / acquisition in the broader energy and infrastructure market, with recurring revenue theme

Summary

FUNDAMENTALS

- Steady and dependable business continues to deliver
- Provide an essential and permanent specialist service
- Visibility in earnings a key differentiator – long term contracts out to 2028

MINERS' COST FOCUS PLAYS TO KPS STRENGTHS

- Demand for cost effective power solutions suits KPS business
- Market leading position in diesel, gas, dual fuel and waste heat technology

STRONG AND LONG TERM RELATIONSHIPS WITH SOLID CLIENTS

- Long term relationships with global and Australian based miners
- Profitable and stable clients with long term viable projects

GROWTH PLUS NEW OPPORTUNITIES

- 2017 set to deliver record result based on contracted revenue
- New business established in Africa – expect roll out of KPS business model to generate growth
- Record amount of work tendered – expect contract success in second half
- Looking at broader energy infrastructure opportunities and acquisitions

FINANCIAL HEALTH

- Balance sheet in good shape
- Consistent and strong cash flow from operations
- Continuing fully franked dividends – 3.5% current yield (@ 70 cents per share)

Conclusion